FDIC State Profile

Fall 2005

Oklahoma

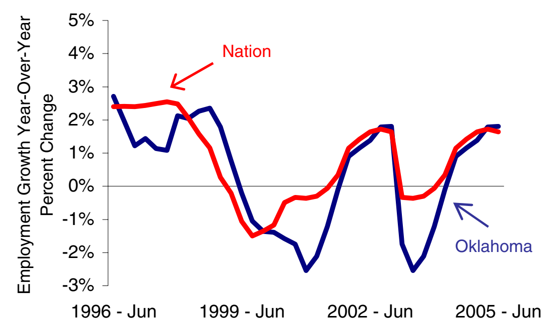
Oklahoma job growth pushes past the nation in 2005.

- After trailing the nation for nearly three years, Oklahoma job growth has surpassed that of the nation on a year-over-year percent basis during 2005 (see Chart 1). The state's employment grew at 1.8 percent in second quarter 2005 compared with 1.6 percent for the nation.
- Manufacturing is the state's only major employment sector still losing jobs; for the four quarters ending June 2005, 800 jobs were lost in the manufacturing sector.
- Manufacturing job losses were offset by strong gains in professional business services (4.3 percent), natural resources and mining (3.9 percent), and government employment (3.7 percent). Together, these industries added 72 percent (19,400) of the new jobs this past year.
- Other increases were mainly attributable to continued government spending on defense-related activities and oil and gas service activities related to historically high oil prices.

Oklahoma City is providing most of the state's job growth.

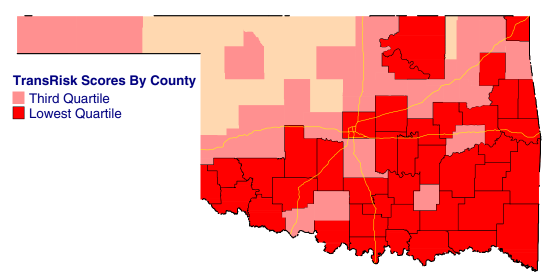
- The **Oklahoma City** metropolitan area posted the most robust job growth in the state with gains of 1.9 percent last year. The **Lawton** and **Tulsa** metro areas reported positive job growth, but both were below 1 percent for the past year.
- Lawton had been adding jobs at a faster rate than the state from first quarter 2002 until recently. Employment growth slowed the most in the education and health services and government sectors.
- The Tulsa metro area turned from being a detractor of Oklahoma jobs to a modest contributor. The main employment sectors contributing to this turnaround were government, information, and construction.
- Leading indicators are pointing to Tulsa's comeback in the state's economy during the first half of 2006. Additionally, the "help wanted" advertising in the metro is at a three-year high; a recent Manpower Outlook Survey ranks Tulsa in the top 2 percent of markets nationwide

Chart 1: Oklahoma Employment Growth Now Exceeds the Nation



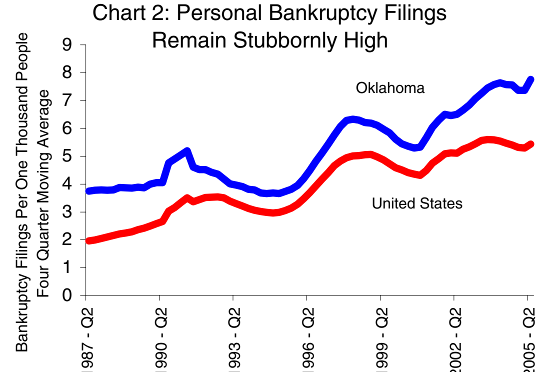
Source: Bureau of Labor Statistics

Map 1: Consumer Credit Weaknesses Exist in Many Oklahoma Counties



Source: TransUnion TransRisk Scores, March 31, 2005

Chart 2: Personal Bankruptcy Filings Remain Stubbornly High



Source: Administrative Office of the U.S./Haver for hiring prospects, with 53 percent of companies surveyed reporting plans to add jobs.

- Subsequent to Hurricane Katrina, Oklahoma received a large number of evacuees, however, the number of evacuees in Oklahoma is less than those in other states directly adjoining the affected areas.

Cattle prices decline for the first time in almost two years.

- Although cattle prices remain near record levels, July 2005 steer prices declined from the previous year. This price decline—the first year-over-year decline in almost two years—is attributed to fears of higher feed costs, profit losses in many cattle feed lots, and the effect of drought in the Plains states.

- The American Farm Bureau Federation has estimated potential costs related to Hurricane Katrina to agriculture in the billions. They put a "conservative estimate" of $1 billion in direct damage to crops and livestock and an additional $1 billion in indirect costs resulting from shipping delays and soaring fuel prices. Oklahoma producers will be most likely affected by the rising fuel costs as increases in diesel fuel, fertilizer, and irrigation costs pressure their already low profit margins.

Energy remains a top concern for consumers and small businesses across the state.

- The recent hurricanes have contributed to rising energy costs for crude oil, natural gas, gasoline, jet fuel and heating oil. The economic impact on the national and Oklahoma economies will depend greatly on how quickly production and refining activity are restored. High energy prices are a major concern among Oklahoma business leaders.

Oklahoma insured institutions post impressive results for the first six months of 2005…

- During the six months ending June 30, 2005, banks and thrifts headquartered in the state reported a median return on assets ratio of 1.30 percent, among the highest returns in the past ten years.

- Nearly nine out of ten insured institutions in Oklahoma hold less than $250 million in assets, with net interest margin a major component of earnings at these institutions. Many of these community financial institutions remain asset sensitive and have benefited from the recent increase in short-term interest rates. As a result, the yield on earning assets outpaced the cost of funding in the first six months of 2005 when compared to the same period last year.

- However, should long-term interest rates remain relatively low and short-term rates rise further, the yield spread will continue to narrow and may compel some institutions to become more aggressive in lending or to seek cost saving alternatives to offset the effect of a compressed margin.

- Credit quality for Oklahoma institutions, like the nation, continued to improve as past-due and charge-off rates remained near ten-year lows. Improving credit quality has allowed provision expense to remain at a decade low; however, there is little room for further declines.

…however, area institutions continue to face risk management challenges.

- Although insured institutions continue to perform well, several credit quality indicators point to troubling trends. For example, TransRisk credit scores suggest that most of the southern states, including Oklahoma, face significant credit quality challenges (see Map 1).[1] Oklahoma is tied for seventh worst among states in terms of low credit scores suggesting consumers and lenders within the state may face difficult challenges ahead.

- Personal bankruptcy filings in Oklahoma increased during the second quarter 2005. Moreover, the Oklahoma four-quarter moving average is at the highest level in the past 25 years (see Chart 2) and significantly above the nation.[2]

- Personal bankruptcy filings may rise prior to the October 2005 effective date of the new bankruptcy law, which makes it more difficult for consumer to discharge their debts in bankruptcy. Consequently, while banks and thrifts have weathered the recent economic slowdown quite well, there are warning signs that suggest bankers must remain ever diligent and prudent in their underwriting decisions.

[1] TransRisk is a proprietary anonymous, aggregated credit risk score product of Trans Union, LLC. For more information on this topic, please visit: http://products.trendatatu.com/.
[2] Based on a four-quarter moving average per capita bankruptcy rate.

Oklahoma at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q2-05	Q1-05	Q2-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.8%	1.8%	0.9%	0.8%	-1.9%
Manufacturing (10%)	-0.6%	-0.4%	-0.3%	-1.0%	-6.0%
Other (non-manufacturing) Goods-Producing (6%)	2.4%	2.6%	0.3%	0.5%	0.3%
Private Service-Producing (63%)	1.5%	1.5%	1.0%	0.8%	-1.5%
Government (21%)	3.7%	3.5%	1.4%	2.0%	-1.7%
Unemployment Rate (% of labor force)	4.4	4.4	5.0	4.9	5.6

Other Indicators	Q2-05	Q1-05	Q2-04	2004	2003
Personal Income	6.7%	6.5%	6.2%	5.3%	3.3%
Single-Family Home Permits	16.0%	13.4%	10.4%	6.3%	13.8%
Multifamily Building Permits	96.9%	-12.7%	39.5%	-15.4%	42.9%
Existing Home Sales	9.4%	7.3%	8.4%	10.0%	7.0%
Home Price Index	5.4%	4.5%	4.4%	4.8%	4.3%
Bankruptcy Filings per 1000 people (quarterly annualized level)	9.45	7.55	7.80	7.60	7.53

BANKING TRENDS

General Information	Q2-05	Q1-05	Q2-04	2004	2003
Institutions (#)	274	272	273	274	278
Total Assets (in millions)	59,841	57,981	54,722	56,422	56,782
New Institutions (# < 3 years)	5	3	4	4	4
Subchapter S Institutions	149	146	141	141	136

Asset Quality	Q2-05	Q1-05	Q2-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.91	2.17	2.36	2.17	2.37
ALLL/Total Loans (median %)	1.23	1.24	1.29	1.19	1.25
ALLL/Noncurrent Loans (median multiple)	1.62	1.59	1.32	1.61	1.29
Net Loan Losses / Total Loans (median %)	0.08	0.04	0.11	0.20	0.26

Capital / Earnings	Q2-05	Q1-05	Q2-04	2004	2003
Tier 1 Leverage (median %)	9.64	9.66	9.49	9.52	9.57
Return on Assets (median %)	1.34	1.30	1.32	1.21	1.15
Pretax Return on Assets (median %)	1.59	1.58	1.55	1.43	1.43
Net Interest Margin (median %)	4.50	4.50	4.43	4.49	4.45
Yield on Earning Assets (median %)	6.20	5.98	5.70	5.76	6.02
Cost of Funding Earning Assets (median %)	1.64	1.45	1.25	1.30	1.52
Provisions to Avg. Assets (median %)	0.11	0.11	0.12	0.16	0.19
Noninterest Income to Avg. Assets (median %)	0.89	0.88	0.92	0.93	0.95
Overhead to Avg. Assets (median %)	3.32	3.28	3.28	3.34	3.41

Liquidity / Sensitivity	Q2-05	Q1-05	Q2-04	2004	2003
Loans to Assets (median %)	62.0	61.7	58.9	60.9	60.0
Noncore Funding to Assets (median %)	19.4	19.1	18.3	19.0	17.4
Long-term Assets to Assets (median %, call filers)	13.7	13.5	17.2	13.9	15.0
Brokered Deposits (number of institutions)	56	51	40	50	38
Brokered Deposits to Assets (median % for those above)	3.6	3.0	2.9	3.0	2.8

Loan Concentrations (median % of Tier 1 Capital)	Q2-05	Q1-05	Q2-04	2004	2003
Commercial and Industrial	89.6	90.9	88.5	88.7	89.5
Commercial Real Estate	122.9	119.8	112.2	119.9	105.9
Construction & Development	15.1	14.0	13.8	13.8	15.0
Multifamily Residential Real Estate	0.0	0.0	0.0	0.0	0.0
Nonresidential Real Estate	98.1	98.1	89.3	97.1	84.1
Residential Real Estate	129.8	128.4	136.5	135.0	139.6
Consumer	74.3	74.8	77.3	75.8	83.3
Agriculture	68.2	72.8	66.9	75.8	70.1

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
Oklahoma City, OK	70	14,855	< $250 million	241 (88%)
Tulsa, OK	68	13,023	$250 million to $1 billion	27 (9.9%)
Fort Smith, AR-OK	22	3,400	$1 billion to $10 billion	5 (1.8%)
Lawton, OK	10	855	> $10 billion	1 (0.4%)